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CENTRAL INTELLIGENCE AGENCY

17 November 1948

INTELLIGENCE MEMORANDUM NO. 82

SUBJECT: Intensification of Soviet Efforts to Procure Strategic Materials

During the past few months, the USSR has been intensifying efforts to procure strategic materials in various parts of the world. The number of reports received indicates that the Soviets are pursuing a policy of procuring, at any cost, materials needed to overcome deficiencies at home, or for stockpiling purposes. The nature of the reports also indicates that the Soviets are, at least at times, following a policy that verges on preclusive buying. Some of the reports received:

1. Strategic Instrument Jewels from Switzerland.

In August 1948 a Soviet major went to Switzerland to purchase 13,500,000 instrument jewels at any cost, and was ordered not to return without them. Jewels are at present being delivered by Swiss to Soviets.

The major then went to Italy and ordered 6,500,000 from an Italian firm. The value of the initial order would be more than \$4,000,000.

2. Graphite from Ceylon.

450 tons of high grade graphite were shipped to USSR in June and July. From the price paid it appears to be 97-98% carbon amorphous.

3. Attempt to Procure Industrial Diamonds from French Equatorial Africa.

Soviet Embassy Paris wants contract total output industrial diamonds and bort, est. 100,000 carats annually, French Equatorial Africa. These companies not in Diamond Cartel. The French Minister of Colonies on his own responsibility and without legal authority, has prevented consummation of the contract to date by refusal of export licenses, [REDACTED] (Mr. Hoffman has recommended

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SEE REVERSE FOR DECLASSIFICATION ACTION

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to Mr. Harriman that the entire output of industrial diamonds of French Equatorial Africa be purchased for US stockpiles.)

4. Tin from Siam.

Representatives of the USSR are reported to have contacted the Siamese government with regard to procuring tin from Siam. Siam Government denies this but a government official [REDACTED] is reported to have said it is true.

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5. Tungsten and Antimony in China.

To conclude payments of principal and interest extended in 1938 and 1939 the National Resources Commission (Chinese) plans to ship to the Soviet Union from 1948 to 1952, 7,450 metric tons of tungsten ores and 4,400 metric tons of antimony metal totalling \$14,367,704.50, to be shipped as follows:

	<u>Tungsten Concentrates</u>	<u>Antimony Regulus</u>
1948-49	2,200	1,000
1949-50	2,150	1,000
1950-51	2,100	1,000
1951-52	1,000	1,400

6. Industrial Diamonds in the US.

Amtorg is quietly purchasing industrial diamonds from New York dealers who are instructed to get export licenses to ship diamonds to Western European and other countries. Agents then accept delivery in these countries.

7. Aluminum.

USSR purchased 3,000 tons of aluminum from Norway in 1948. (Included in USSR-Norwegian Trade Agreement.)

USSR has been discussing the purchase of aluminum from Switzerland. Soviets have been claiming the price asked is too high.

8. Natural Rubber in Southeast Asia.

The USSR is purchasing this year 100,000 to 135,000 tons of natural

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rubber in Southeast Asia, compared with 43,000 tons in 1947. (This is in addition to 18,000 tons provided for under the Soviet-Dutch Trade Agreement.) Attempts are being made to obtain rubber in Ceylon and Siam. The large purchases are in excess of current Soviet consumption, and together with premium prices paid and extra prices for special packing, indicate stockpiling by the USSR.

9. Mexican Sisal and Henequen.

Since July 1948, four Soviet steamers departed for USSR from Mexican ports carrying 14,412 long tons of cordage and twine. It is reported that about 60% of Mexican henequen products go to the Soviet Union.

10. Cotton* from Egypt, Brazil, and Pakistan.

38,000 tons of Egyptian long staple cotton were bartered against USSR grain in March-June 1948.

In August USSR purchased 9,000 tons of cotton in Brazil and is negotiating for additional 9,300 tons.

During the first nine months of 1948, USSR purchased about 25,000 tons of cotton from Pakistan.

11. Cork from Portugal.

In the first seven months of 1948, USSR purchases of highest grade of Portuguese cork totaled 7,500 tons.

12. Wool from Australia and New Zealand.

During the first half of 1948, USSR imported over 100,000 bales of wool from New Zealand and Australia. Further heavy purchases are being reported.

* Strategic to USSR

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STRATEGIC MATERIALS

During the past few months, the USSR and the Soviet controlled areas have been intensifying efforts to procure strategic materials in various parts of the world. The number of reports received indicates that the Soviets are pursuing a policy of procuring, at any cost, materials needed to overcome deficiencies at home, or for stockpiling purposes. The nature of the reports also indicates that the Soviets are, at least at times, following a policy that verges on prescriptive buying.

Some of the reports received:

1. USSR Procurement of Strategic Instrument Jewels from Switzerland

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The value of the initial order would be more than \$4,000,000.

2. USSR Procurement of Graphite from Ceylon.

450 tons of high grade graphite were shipped to USSR in June and July. From the price paid it appears to be 97-98% carbon amorphous.

3. USSR Attempting to Procure Industrial Diamonds from French Equatorial Africa.

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4. Czechoslovakia Purchasing Copper from Mexico

Czechoslovakia purchased 1206 metric tons of electrolytic copper at price of US 25.925 cents (2 cents over US export price) per pound, f.o.b. Vera Cruz; 1000 tons to be shipped in October and the remainder in November.

5. USSR Attempting to Get Tin from Siam

Representatives of the USSR are reported to have contacted the Siamese government with regard to procuring tin from Siam. Siam Government denies this but a government official [REDACTED]

[REDACTED] is reported to have said it is true.

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6. USSR Procurement of Tungsten and Antimony in China

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1950-51	2,100	1,000
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7. USSR Procurement of Industrial Diamonds in The U.S.

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8. USSR Procurement of Aluminum

USSR purchased 3,000 tons of aluminum from Norway in 1948.

USSR has been discussing the purchase of aluminum from Switzerland. Soviets have been claiming the price asked is too high.

9. Possibility that USSR is attempting to get Molybdenum through Other Countries

Companies in the Netherlands and Argentina have been inquiring about purchasing quantities of molybdenum concentrates much larger than the requirements of their respective countries.

10. USSR Procurement of Natural Rubber in Southeast Asia

The USSR is purchasing this year 100,000 to 135,000 tons of natural rubber in Southeast Asia, compared with 43,000 tons in 1947. Attempts are being made to obtain rubber in Ceylon and Siam. The large purchases are in excess of current Soviet consumption, and together with premium prices paid and extra prices for special packing, indicate stockpiling by the USSR.

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11. A Dutch trade delegation, negotiating in Belgrade, has arranged for the extension of the existing trade agreement between the Netherlands and Yugoslavia. The Netherlands will export agricultural products, including seeds and industrial articles, pharmaceutical products, diamonds and Indonesian products. In return, Yugoslavia will ship timber, lead, mercury and copper.

In Sofia, a Netherlands Commission has been conferring on the prolongation of the existing Trade Agreement between the Netherlands and Bulgaria, expiring on December 4, 1948. In the new treaty year, Bulgaria is to ship grain, timber, opium, and tobacco, while Dutch exports to Bulgaria will include machinery, rubber, dyes, chemical and pharmaceutical products.